

Message Text

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67

ACTION IO-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

USIA-15 AF-06 ARA-10 EA-10 EUR-12 NEA-09 AID-05

COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06 CIEP-02

LAB-04 SIL-01 OMB-01 STR-04 CEA-01 /149 W

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R 172246Z JAN 75

FM USMISSION USUN NEW YORK

TO SECSTATE WASHDC 8820

INFO AMEMBASSY ROME

USMISSION GENEVA

UNCLAS USUN 0153

ROME FOR FAO

E.O. 11652: N/A

TAGS: UNDP, FAO, EAID

SUBJECT: 19TH UNDP GOVERNING COUNCIL - EXCESS OVERHEAD
COSTS REIMBURSEMENTS (AGENDA ITEM 16B)

REFERENCE: DP/77/ADD.4

SUMMARY: BUDGETARY AND FINANCE COMMITTEE RECOMMENDED
CONTINUED DISCUSSIONS BETWEEN UNDP AND FAO TO RESOLVE
IMPASSE WHICH HAS DEVELOPED OVER HOW MUCH OF THE
\$4,975,130 IN OVERHEAD REIMBURSEMENTS DRAWN
DOWN BY FAO IN EXCESS OF ENTITLEMENTS THROUGH DEC. 31,
1972 WOULD HAVE TO BE REPAID BY IT.

1. ADMINISTRATOR PERSONALLY INTRODUCED DP/77/ADD.4 IN
B&F COMMITTEE JAN 16 SKETCHING BACKGROUND WHICH LED TO
CURRENT DISPUTE OVER AMOUNT OF EXCESS OVERHEAD PAYMENTS
TO BE REPAID UNDP BY FAO (FAO CONCURS IN CONSULTANT
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RECOMMENDATION THAT \$2.8 MILLION OF \$4.9 MILLION IN

EXCESS DRAWDOWNS BE WRITTEN OFF; ADMINISTRATOR PROPOSES WRITE OFF OF \$1.018 MILLION). PETERSEN STRESSED FACT THAT ALTHOUGH FAO CAUGHT IN CHANGE OF SYSTEM, THERE WAS NEVER UNDERSTANDING THAT IT WOULD NOT HAVE TO REPAY FULL AMOUNT DUE. HE COULD NOT ACCEPT CONSULTANT'S RECOMMENDATIONS AND WAS FORCED TO COME FORWARD WITH COUNTER OFFER. IN GOOD CONSCIENCE HE HAD TO STRETCH RATIONALIZATION TO AGREE TO FORGIVE FAO \$1.018 MILLION.

2. FAO REPRESENTATIVE DEFENDED MAXIMUM WRITE OFF SAYING EXCESS COST TO CARRY OUT UNDP FIELD PROJECTS HAD PREVENTED ORGANIZATION FROM CARRYING OUT ITS REGULAR PROGRAM. CCAQ FIGURES ON OVERHEADS HAD ESTABLISHED THAT MUCH OF DELIVERY COSTS WERE HIDDEN AND ABSORBED BY REGULAR BUDGET. FAO HAD USED FUNDS IN PART TO BUILD UP CAPACITY TO HANDLE INCREASED UNDP PROGRAM. SINCE ITS ASSESSED BUDGET RELATIVELY SMALL VIS-A-VIS UNDP FUNDING, IT HAD GREATER DIFFICULTY THAN OTHER AGENCIES IN ABSORBING THESE ADDED COSTS.

3. IN DEBATE DELEGATIONS WERE CLEARLY AT SEA ON ISSUE AND ESPOUSED EVERY POSSIBLE COURSE OF ACTION--RELIEF OF FULL AMOUNTS FOR ALL AGENCIES (UK), PAYMENT IN FULL BY ALL AGENCIES (BRAZIL), SUPPORT FOR CONSULTANTS RECOMMENDATIONS (INDIA), BINDING ARBITRATION (NORWAY), FURTHER NEGOTIATIONS (U.S.), JUST TO MENTION A FEW. SWISS AGREED WITH UK TO LET BYGONES BE BYGONES AND WRITE OFF FULL AMOUNTS AS ILL-DEFINED CONTRIBUTION TO DEVELOPMENT EFFORTS NOTING THAT THERE HAS NEVER BEEN QUESTION OF MONEY BEING MISUSED AND THAT FAO AND UNDP SHARED SAME OBJECTIVES. ASST ADMINISTRATOR OLVER MERCIFULLY HINTED AT POSSIBLE LANDFALL SAYING HE THOUGHT HE HAD SEEN SOME MOVEMENT AWAY FROM STALE-MATE IN LAST FEW DAYS AS RESULT GC DISCUSSIONS. "A LITTLE MORE TIME MIGHT PRODUCE AGREEMENT". ALL HANDS GRASPED THIS LIFELINE AGREEING THAT ADMINISTRATOR SHOULD PURSUE MUTUALLY SATISFACTORY SOLUTION WITH FAO. REPORT TO BE MADE O 20TH GOVERNING COUNCIL (JUNE 1975). COMMITTEE FURTHER DECIDED TO RECOMMEND TO COUNCIL THAT ITU AND WMO AMOUNTS IN DISPUTE BE FULLY WRITTEN

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OFF WITHOUT AWAITING DECISION ON FAO, SINCE UNDER ADMINISTRATOR'S PRESENT AUTHORITY FOR FLEXIBILITY RE SMALLER AGENCIES, SUCH ACTION COULD BE TAKEN. SCALI

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